

Message Text

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ACTION XMB-04

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DEPARTMENT PASS EXIMBANK

E.O. 11652: N/A
TAGS: EFIN, EIND, MZ
SUBJECT: SENA SUGAR LIQUIDATION STUDIED

REF: MAPUTO 0892 (NOTAL

1. SENA SUGAR ESTATES, LTD., BRITISH FIRM WHICH OWNS MOZAMBIQUE'S LARGEST SUGAR PLANTATION, ASKED THE LONDON STOCK EXCHANGE TO SUSPEND TRADING OF ITS SECURITIES JULY 20 PENDING A DECISION ON LIQUIDATION OF THE COMPANY EXPECTED ON JULY 28. IN A TELEGRAM TO SENA'S OFFICE IN MAPUTO, DIRECTOR STEFAN HORNUNG ATTRIBUTED THE DECISION TO GPRM'S "REJECTION" OF SENA JOINT EQUITY PROPOSAL (REFTEL) AND GPRM DENIAL OF PERMISSION TO TRANSFER 30,000 POUNDS MONTHLY FOR OPERATION OF SENA'S LONDON OFFICE.

2. MICHAEL TINNE, LOCAL MANAGER OF SENA, TOLD AMBASSADOR THAT HE EXPECTS DECISION WILL BE MADE TO GO INTO LIQUIDATION. IF THIS HAPPENS, TINNE EXPECTS THAT THE MOZAMBIQUE GOVERNMENT WOULD ACQUIRE ALL ASSETS IN MOZAMBIQUE BECAUSE OF THE APPROXIMATELY ONE BILLION ESCUDOS THAT SENA OWES THE BANK OF MOZAMBIQUE. TINNE EXPECTED THAT EXIMBANK (AND ECGD) WOULD BE FULLY COMPENSATED BASED ON THE VALUE OF THE SUGAR REFINERY SENA OWNS IN LISBON.

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SHAREHOLDERS (BRITISH AND PORTUGUESE FAMILIES) WOULD LIKELY GET A SMALL PAYMENT, ALSO FROM THE LISBON REFINERY PROCEEDS. THE MOZAMBIQUE GOVERNMENT HAS BEEN INFORMED OF THE POSSIBLE LIQUIDATION, BUT HAS MADE NO COMMENT.

3. COMMENT. WHILE THE FAILURE TO APPROVE THE JOINT EQUITY PROPOSAL AND THE GPRM DECISION TO TERMINATE CURRENCY TRANSFERS USED

TO MAINTAIN THE LONDON OFFICE ARE SETBACKS FOR SENA, THE REAL REASON FOR SENA'S INSOLVENCY IS REPEATED FAILURE TO MAKE A PROFIT DUE TO DECLINING PRODUCTION AND THE LOW WORLD PRICE OF SUGAR. SENA'S CURRENCY TRANSFER PRIVILEGES WERE GENEROUS, AND LONDON OFFICE WITH REPORTED FIFTEEN EMPLOYEES MUST HAVE SEEMED EXTRAVAGANT TO GPRM WHICH HANDLES ALL SUGAR EXPORT FROM MOZAMBIQUE. SENA WAS HURT BY HAVING TO SELL PORTION OF OUTPUT AT FIXED PRICE TO LOCAL MARKET, WHICH SENA CLAIMS BELOW COST OF PRODUCTION. HOWEVER, AT THE MOMENT THE MOZAMBIQUE DOMESTIC PRICE IS ABOVE THE WORLD PRICE AND SENA HAS RECEIVED STEADY SUPPORT FROM GPRM IN SPITE OF RED TAPE WHICH HAMPERS ALL LOCAL BUSINESS.

4. WITHOR WITHOUT LIQUIDATON, FUTURE OF SENA'S MOZAMBIQUE OPERATION WILL TAKE SOME TIME TO BECOME CLEAR. GPRM WILL BE WATCHING FOR POTENTIAL "SABOTAGE" OF SENA'S ASSETS, BUT OTHERWISE SEEMS TO BE WAITING TO SEE WHAT MEASURES SENA'S DIRECTORS WILL TAKE.
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